

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name VILLAGE OF CLIMAX	County KALAMAZOO
Audit Date 3/31/04	Opinion Date 9/29/04	Date Accountant Report Submitted to State: 10/6/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) FOOTE AND LLOYD, CERTIFIED PUBLIC ACCOUNTANTS			
Street Address TWO WEST MICHIGAN, SUITE 210		City BATTLE CREEK	State MI
		ZIP 49017-3621	
Accountant Signature <i>Charles W. Foote</i>			Date 10/6/04

**VILLAGE OF CLIMAX
KALAMAZOO COUNTY, MICHIGAN**

**REPORT OF AUDIT
AS OF
MARCH 31, 2004**

**FOOTE and LLOYD
CERTIFIED PUBLIC ACCOUNTANTS
BATTLE CREEK, MICHIGAN**

**VILLAGE OF CLIMAX
KALAMAZOO COUNTY, MICHIGAN**

OFFICIARY

Don Stevenson	President
Scott Torrance	Clerk
Deborah Wyant	Treasurer
Terry Strong	Trustee
Salli Thompson	Trustee
Bill Twiss	Trustee
Tricia Willis	Trustee
Bill Rogers	Trustee
Shawn Messner	Trustee

Population 791

2000 Census

VILLAGE OF CLIMAX

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AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION
CERTIFIED PUBLIC ACCOUNTANTS

*FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Village President and
Members of the Council
Village of Climax
Kalamazoo County, Michigan

We have audited the general purpose financial statements of the Village of Climax, Kalamazoo County, Michigan, as of and for the year ended March 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and including those prescribed by the State Treasurer. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Village of Climax, Kalamazoo County, Michigan, as of March 31, 2004, and the results of its operation and changes in cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund, and the individual account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Village of Climax, Kalamazoo County, Michigan. Such information has been subjected to the auditing procedures applied in the examination of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Foote and Lloyd

CERTIFIED PUBLIC ACCOUNTANTS

Battle Creek, Michigan
September 29, 2004

GENERAL PURPOSE FINANCIAL STATEMENTS

**VILLAGE OF CLIMAX
COMBINED BALANCE SHEET
ALL FUND TYPES & ACCOUNT GROUPS
MARCH 31, 2004**

	<u>GOVERNMENTAL FUND TYPES</u>		<u>FIDUCIARY FUND TYPE</u>	<u>PROPRIETARY FUND TYPES</u>	<u>ACCOUNT GROUPS</u>	Totals (Memo Only) Reporting Entity
	General	Special Revenue	Cemetery Perpetual Care Fund	Water Supply System	General Fixed Assets	
<u>ASSETS</u>						
CURRENT ASSETS						
Cash	247,137	175,761	11,491	123,881		558,270
Accounts Receivable						
Water Customer				6,274		6,274
Special Assessments				47,283		47,283
Delinquent Taxes	9,011			2,985		11,996
State of Michigan		6,165				6,165
Due From Other Funds	<u>84</u>					<u>84</u>
Total Current Assets	<u>256,232</u>	<u>181,926</u>	<u>11,491</u>	<u>180,423</u>	<u>0</u>	<u>630,072</u>
FIXED ASSETS						
Land				35,066		35,066
Buildings				42,769	99,000	141,769
Distribution System				1,074,459		1,074,459
Equipment					183,292	183,292
Less: Accumulated Depreciation				<u>(554,159)</u>		<u>(554,159)</u>
Net Fixed Assets				<u>598,135</u>	<u>282,292</u>	<u>880,427</u>
TOTAL ASSETS	<u>256,232</u>	<u>181,926</u>	<u>11,491</u>	<u>778,558</u>	<u>282,292</u>	<u>1,510,499</u>

LIABILITIES & FUND EQUITY

CURRENT LIABILITIES

Due To Other Funds			84			84
Accounts Payable	12,149	202		1,196		13,547
Current Portion of Long Term Debt				<u>25,000</u>		<u>25,000</u>
Total Current Liabilities	<u>12,149</u>	<u>202</u>	<u>84</u>	<u>26,196</u>	<u>0</u>	<u>38,631</u>

LONG TERM LIABILITIES

Bonds & Contracts Payable				<u>245,000</u>		<u>245,000</u>
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Total Liabilities	12,149	202	84	271,196	0	283,631
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FUND EQUITY

Contributed Capital				191,399		191,399
Retained Earnings				315,963		315,963
Investment in General Fixed Assets					282,292	282,292
Fund Balance - Undesignated	<u>244,083</u>	<u>181,724</u>	<u>11,407</u>			<u>437,214</u>
Total Fund Equity	<u>244,083</u>	<u>181,724</u>	<u>11,407</u>	<u>507,362</u>	<u>282,292</u>	<u>1,226,868</u>

TOTAL LIABILITIES &
FUND EQUITY

<u>256,232</u>	<u>181,926</u>	<u>11,491</u>	<u>778,558</u>	<u>282,292</u>	<u>1,510,499</u>
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The Notes to Financial Statements are an integral part of these statements.

**VILLAGE OF CLIMAX
COMBINED STATEMENT OF REVENUES, EXPENDITURES &
CHANGES IN FUND BALANCES - BUDGET & ACTUAL
ALL GOVERNMENTAL FUND TYPES - GENERAL & SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED MARCH 31, 2004**

	GENERAL FUND		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes	105,000	112,232	7,232
Intergovernmental - State	75,000	77,094	2,094
Charges for Services	1,500	1,657	157
Interest	3,500	2,936	(564)
Other	<u>17,225</u>	<u>34,440</u>	<u>17,215</u>
Total Revenues	202,225	228,359	26,134
EXPENDITURES			
General Government	136,335	124,154	12,181
Public Safety	34,700	26,820	7,880
Public Works	34,690	34,011	679
Cultural & Recreation	2,000	2,532	(532)
Capital Outlay	<u>28,000</u>	<u>20,878</u>	<u>7,122</u>
Total Expenditures	<u>235,725</u>	<u>208,395</u>	<u>27,330</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(33,500)	19,964	53,464
OTHER FINANCING SOURCES (USES)			
Transfers From (To) Other Funds	<u>500</u>	<u>496</u>	<u>(4)</u>
EXCESS OF REVENUES & OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	(33,000)	20,460	53,460
FUND BALANCE - Beginning of Year	<u>223,623</u>	<u>223,623</u>	<u>0</u>
FUND BALANCE - End of Year	<u>190,623</u>	<u>244,083</u>	<u>53,460</u>

The Notes to Financial Statements are an integral part of these statements.

SPECIAL REVENUE FUNDS			TOTALS - MEMO ONLY		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
54,000	59,151	5,151	105,000	112,232	7,232
2,900	2,040	(860)	129,000	136,245	7,245
<u>0</u>			1,500	1,657	157
56,900	61,191	4,291	6,400	4,976	(1,424)
			<u>17,225</u>	<u>34,440</u>	<u>17,215</u>
			259,125	289,550	30,425
			136,335	124,154	12,181
60,570	48,541	12,029	34,700	26,820	7,880
			95,260	82,552	12,708
			2,000	2,532	(532)
			<u>28,000</u>	<u>20,878</u>	<u>7,122</u>
<u>60,570</u>	<u>48,541</u>	<u>12,029</u>	<u>296,295</u>	<u>256,936</u>	<u>39,359</u>
(3,670)	12,650	16,320	(37,170)	32,614	69,784
<u>0</u>	<u>0</u>	<u>0</u>	<u>500</u>	<u>496</u>	<u>(4)</u>
(3,670)	12,650	16,320	(36,670)	33,110	69,780
<u>169,074</u>	<u>169,074</u>	<u>0</u>	<u>392,697</u>	<u>392,697</u>	<u>0</u>
<u>165,404</u>	<u>181,724</u>	<u>16,320</u>	<u>356,027</u>	<u>425,807</u>	<u>69,780</u>

**VILLAGE OF CLIMAX
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES –
NONEXPENDABLE TRUST FUND
MARCH 31, 2004**

	GOVERNMENTAL FUND TYPES	FIDUCIARY FUND TYPE		Totals (Memo Only) Reporting Entity
	General Fund	Special Revenue Fund	Perpetual Care Fund Cemetery	
REVENUES				
Taxes	112,232			112,232
Intergovernmental				
State	77,094	59,151		136,245
Charges for Services	1,657			1,657
Interest	2,936	2,040	496	5,472
Other	<u>34,440</u>	<u> </u>	<u> </u>	<u>34,440</u>
TOTAL REVENUE	228,359	61,191	496	290,046
EXPENDITURES				
General Government	124,154			124,154
Public Safety	26,820			26,820
Public Works	34,011	48,541		82,552
Cultural & Recreation	2,532			2,532
Capital Outlay	<u>20,878</u>	<u> </u>	<u> </u>	<u>20,878</u>
TOTAL EXPENDITURES	<u>208,395</u>	<u>48,541</u>	<u>0</u>	<u>256,936</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	19,964	12,650	496	33,110
OTHER FINANCING SOURCES (USES) TRANSFERS FROM (TO) OTHER FUNDS	<u>496</u>	<u>0</u>	<u>(496)</u>	<u>0</u>
EXCESS OF REVENUE & OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	20,460	12,650	0	33,110
FUND BALANCE - Beginning of Year	<u>223,623</u>	<u>169,074</u>	<u>11,407</u>	<u>404,104</u>
FUND BALANCE - End of Year	<u>244,083</u>	<u>181,724</u>	<u>11,407</u>	<u>437,214</u>

The Notes to Financial Statements are an integral part of these statements.

**VILLAGE OF CLIMAX
STATEMENT OF REVENUES, EXPENSES &
CHANGES IN RETAINED EARNINGS
WATER SUPPLY SYSTEM FUND
FOR THE FISCAL YEAR ENDED MARCH 31, 2004**

REVENUES		
Charges for Service	28,599	
Interest	4,865	
Hydrant Assessments	24,167	
Other	<u>4,182</u>	
Total Operating Revenues		61,813
OPERATING EXPENSES		
Salaries & Wages	17,550	
Professional Fees	4,497	
Supplies - Office & Other	573	
- Operating	2,242	
Repairs	20,928	
Utilities & Fuel	5,484	
Depreciation	27,033	
Interest	14,000	
Other	<u>250</u>	
Total Operating Expenses		<u>92,557</u>
Operating Income (Loss)		(30,744)
OTHER FINANCING SOURCES (USES)		
Depreciation of Fixed Assets Acquired by Capital Contributions		<u>8,651</u>
Net Income (Loss)		(22,093)
RETAINED EARNINGS - Beginning of Year		<u>338,056</u>
RETAINED EARNINGS - End of Year		<u>315,963</u>

The Notes to Financial Statements are an integral part of these statements.

**VILLAGE OF CLIMAX
STATEMENT OF CASH FLOWS
WATER SUPPLY SYSTEM FUND
FOR THE FISCAL YEAR ENDED MARCH 31, 2004**

CASH PROVIDED BY:		
Net Income (Loss)	(22,093)	
Add: Expenses Not Requiring Cash - Depreciation		
Net of Contributed Capital	<u>18,382</u>	
Cash Provided by Operations		(3,711)
Decrease in Receivables		6,403
Increase in Payables		<u>650</u>
Total Cash Provided		3,342
CASH USED FOR FINANCING ACTIVITIES:		
Principal Payments on Bonds	<u>(20,000)</u>	
INCREASE (DECREASE) IN CASH		(16,658)
CASH - Beginning of Year		<u>140,539</u>
CASH - End of Year		<u><u>123,881</u></u>

The Notes to Financial Statements are an integral part of these statements.

VILLAGE OF CLIMAX
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Village Operations

The Village was organized in 1900 and covers an area of one square mile. The Village operates under an elected council of nine members and provides services to its almost 700 residents in many areas including highway and street maintenance, and police and fire protection. The General Purpose Financial Statements contain all the funds and account groups that are controlled by or are dependent on the Village's executive or legislative branches. Fire protection is provided to the residents by contract with the Climax Township Fire Department. Police protection is provided by contract with Kalamazoo County.

Basis of Presentation

The financial activities of the Village are recorded in separate funds and account groups, categorized and described as follows:

Governmental Funds

General Fund - This fund is used to account for all financial transactions not accounted for in another fund. Revenues are derived primarily from property taxes and State and Federal distributions, grants and other intergovernmental revenues. The General Fund accounts for the general operating expenditures of the Village not recorded elsewhere.

Special Revenue Funds - These funds are used to account for specific governmental revenues (other than special assessments and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Proprietary Funds

Enterprise Funds - Enterprise Funds report operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

Agency Funds

Agency funds are limited to collection of amounts which are subsequently remitted to third parties and accordingly are limited to cash transactions.

Account Groups

General Fixed Assets Account Group - This account group presents the fixed assets of the Village.

The account group is not a "fund". It is concerned only with the measurement of financial position. It is not involved with measurement of results of operations.

VILLAGE OF CLIMAX

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Accounting

The proprietary fund utilizes the accrual basis of accounting. All government funds utilize the modified accrual basis of accounting. Modifications in such methods from the accrual basis are as follows:

- a) Property taxes and other revenues that are both measurable and available for use to finance operations are recorded as revenue when earned. Other revenue is recorded when received.

Properties are assessed as of December 31. Village taxes are levied July 1 and payable by September 15.

- b) Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase.
- c) Normally expenditures are not divided between years by the recording of prepaid expenses.
- d) Cash and Investments - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds and repurchase agreements.

- e) Short-term Interfund Receivables/Payables - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables or payables."
- f) Fixed Assets - General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.
- g) The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government.

VILLAGE OF CLIMAX
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Assets in the general fixed assets account group are not depreciated. Depreciation of buildings, equipment and vehicles in the proprietary fund types is computed using the straight line method.

Fund Equity - Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources. Contributed Capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds.

- h) Proprietary Activities – Guidance from FASB pronouncements is followed in instances where GASB pronouncements do not apply.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

NOTE 2 - PROPERTY TAXES

The delinquent real property taxes of the Village are purchased by Kalamazoo County. The County intends to sell tax notes, the proceeds of which will be used to pay the Village for these property taxes. It is anticipated that this will take place in July 2004. These taxes have been recorded as revenue for the current year. The Taxable Value for the Village is \$12,462,848. Nine mills are levied for operations and two additional mills are levied for fire hydrants.

NOTE 3 - BUDGETS

PA 621 of 1978, Sect. 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on an activity basis. The approved budgets of the Village for these budgetary funds were adopted to the Line Item level.

VILLAGE OF CLIMAX
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE 3 - BUDGETS - Continued

During the year ended March 31, 2004, the Village incurred expenditures in one budgetary fund which was in excess of the amount appropriated and was not amended during the year as necessary. This situation occurred in the Local Street Fund because of how the budget was appropriated between the Major and Local Street Funds. The total expenses of both street funds taken as a whole was not in excess of the appropriated funds.

NOTE 4 - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

<u>Title</u>	<u>4-1-03 Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>3-31-04 Balance</u>
Buildings	99,000			99,000
Equipment	<u>162,414</u>	<u>20,878</u>	<u>0</u>	<u>183,292</u>
Totals	<u>261,414</u>	<u>20,878</u>	<u>0</u>	<u>282,292</u>

A summary of proprietary fund type property, plant and equipment at March 31, 2004, follows:

	<u>Water Fund</u>	<u>Depreciable Life-Years</u>
Land	35,066	---
Buildings	42,769	Straight Line - 25 yrs
Distribution System	<u>1,074,459</u>	Straight Line - 20-60 yrs
Total Cost	1,152,294	
Less: Accumulated Depreciation	<u>554,159</u>	
Net Fixed Assets	<u>598,135</u>	

NOTE 5 - TOTAL COLUMN ON COMBINED STATEMENTS - OVERVIEW

The total column on the Combined Statements - All Governmental Fund Types - General & Special Revenue Funds is captioned Memorandum Only to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

VILLAGE OF CLIMAX
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE 6 - LONG TERM DEBT

The following is a summary of the debt outstanding of the Village of Climax as of March 31, 2004:

	Interest	Maturity	Amount
General Obligation Bonds	5%	2020	270,000

COUNTY OF KALAMAZOO - STATE OF MICHIGAN
WATER SUPPLY SYSTEM NO. 1 VILLAGE OF CLIMAX BONDS

The annual principal requirements for all debts outstanding as of March 31, 2004, are as follows:

General Obligation Bonds

<u>Principal Due May 1</u>	<u>Amount</u>	<u>Interest @ 5%</u>		<u>Total</u>
		<u>May 1</u>	<u>November 1</u>	
2004	25,000	6,750	6,125	37,875
2005	25,000	6,125	5,500	36,625
2006	25,000	5,500	4,875	35,375
2007	25,000	4,875	4,250	34,125
2008	25,000	4,250	3,625	32,875
2009	15,000	3,625	3,250	21,875
2010	15,000	3,250	2,875	21,125
2011	15,000	2,875	2,500	20,375
2012	15,000	2,500	2,125	19,625
2013	15,000	2,125	1,750	18,875
2014	10,000	1,750	1,500	13,250
2015	10,000	1,500	1,250	12,750
2016	10,000	1,250	1,000	12,250
2017	10,000	1,000	750	11,750
2018	10,000	750	500	11,250
2019	10,000	500	250	10,750
2020	<u>10,000</u>	<u>250</u>	<u>-0-</u>	<u>10,250</u>
Totals	<u>270,000</u>	<u>48,875</u>	<u>42,125</u>	<u>361,000</u>

Original Issue Amount - \$780,000

Bonds dated March 1, 1981, first coupon due November 1, 1981, payable from bond proceeds - 8 months. Capitalized interest payable from bond proceeds through November 1983. Bonds delivered April 8, 1982.

VILLAGE OF CLIMAX
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE 6 - LONG TERM DEBT - Continued

The following is a summary of debt transactions of the Village of Climax for the year ended March 31, 2004:

	General Obligation Bonds
Debt Payable - April 1, 2003	290,000
Principal Payments	<u>20,000</u>
Debt Payable - March 31, 2004	<u><u>270,000</u></u>

NOTE 7 - BALANCE SHEET CASH AND INTEREST BEARING DEPOSITS

Deposits are carried at cost. Deposits of the Village are at one bank in the name of the Village. Act 217, PA 1982, authorizes the Village to deposit and invest in the accounts of the federally insured banks, insured credit unions and savings and loan associations; bonds and other direct obligations of the United States, or an agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications by not less than two standard rating services, which mature not more than 270 days after the date of purchase; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Michigan law prohibits security in the form of collateral, surety bond or other forms for the deposit of public money. An Attorney General's opinion states that public funds may not be deposited in financial institutions located in states other than Michigan. The Village's deposits are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Village's cash deposits are as follows:

<u>Deposits</u>	<u>Carrying Amount</u>	<u>Bank Amount</u>
Insured (FSIC & FSLIC)	344,365	344,365
Uninsured and Uncollateralized	<u>213,905</u>	<u>217,840</u>
Total Deposits	<u><u>558,270</u></u>	<u><u>562,205</u></u>

NOTE 8 - INSURANCE RISK

Significant losses are covered by commercial insurance for all major programs. The Village is not self-insured other than for minimal deductibles. No known material claims are outstanding. Insurance coverage is substantially the same as in previous years.

VILLAGE OF CLIMAX
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE 9 - INTERFUND RECEIVABLES AND PAYABLES

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
GENERAL FUND	\$ 0	MAJOR STREETS FUND	\$ 0
GENERAL FUND	0	LOCAL STREETS FUND	0
GENERAL FUND	0	WATER SUPPLY SYSTEM FUND	0
GENERAL FUND	<u>84</u>	CEMETERY PERPETUAL CARE FUND	<u>84</u>
TOTALS	\$ 84	TOTALS	\$ 84

NOTE 10 - CONSTRUCTION PERMIT FEES

The Village does not issue construction permits or conduct subsequent inspections. All such activity is under the control of Climax Township. As a result, there is no fund balance for such activity.

SUPPLEMENTAL INFORMATION

**VILLAGE OF CLIMAX
STATEMENT OF REVENUES, EXPENDITURES &
CHANGES IN FUND BALANCE - BUDGET & ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED MARCH 31, 2004**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
2003 Tax Roll	105,000	112,232	7,232
Permits & Fees	1,500	1,657	157
Shared from State	75,000	77,094	2,094
Interest	3,500	2,936	(564)
Other	<u>17,225</u>	<u>34,440</u>	<u>17,215</u>
Total Revenues	<u>202,225</u>	<u>228,359</u>	<u>26,134</u>
EXPENDITURES			
General Government	136,335	124,154	12,181
Public Safety	34,700	26,820	7,880
Public Works	34,690	34,011	679
Culture & Recreation	2,000	2,532	(532)
Capital Outlay	<u>28,000</u>	<u>20,878</u>	<u>7,122</u>
Total Expenditures	<u>235,725</u>	<u>208,395</u>	<u>27,330</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(33,500)	19,964	53,464
OTHER FINANCING SOURCES (USES)			
Transfers From (To) Other Funds			
Cemetery	<u>500</u>	<u>496</u>	<u>(4)</u>
Total Transfers	<u>500</u>	<u>496</u>	<u>(4)</u>
EXCESS OF REVENUES & OTHER SOURCES (USES) OVER (UNDER) EXPENDITURES & OTHER USES	(33,000)	20,460	53,460
FUND BALANCE - Beginning of Year	<u>223,623</u>	<u>223,623</u>	<u>0</u>
FUND BALANCE - End of Year	<u>190,623</u>	<u>244,083</u>	<u>53,460</u>

The Notes to Financial Statements are an integral part of these statements.

**VILLAGE OF CLIMAX
DETAILED SCHEDULE OF EXPENDITURES - BUDGET & ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED MARCH 31, 2004**

	Budget	Actual	Variance Favorable (Unfavorable)
GENERAL GOVERNMENT			
Council	13,200	12,225	975
Elections	500	583	(83)
Clerk	6,000	6,000	0
Office Supplies	1,500	1,810	(310)
Treasurer	5,400	5,400	0
Tax Collection	2,500	539	1,961
Printing & Publication	2,600	2,410	190
Legal & Accounting	4,500	3,794	706
Custodian	13,930	15,586	(1,656)
Cemetery - Wages	9,500	10,000	(500)
- Supplies & Other	1,400	968	432
Insurance & Bonds	22,511	23,634	(1,123)
Village Hall	7,550	12,656	(5,106)
Employee Taxes & Benefits	18,144	21,521	(3,377)
Other	<u>27,100</u>	<u>7,028</u>	<u>20,072</u>
	136,335	124,154	12,181
PUBLIC SAFETY			
Fire Protection	19,000	18,816	184
Law Enforcement	13,700	8,004	5,696
Tree Maintenance	<u>2,000</u>	<u>0</u>	<u>2,000</u>
	34,700	26,820	7,880
PUBLIC WORKS			
Drain Maintenance	3,390	2,460	930
Street Lights	8,800	8,026	774
Sidewalks	2,000	1,738	262
Refuse	3,300	4,666	(1,366)
Equipment Maintenance - Wages	5,700	8,711	(3,011)
- Supplies	5,000	4,189	811
- Repairs	5,000	2,213	2,787
- Gasoline	<u>1,500</u>	<u>2,008</u>	<u>(508)</u>
	34,690	34,011	679
CULTURE & RECREATION			
Library	0	0	0
Park	<u>2,000</u>	<u>2,532</u>	<u>(532)</u>
	2,000	2,532	(532)
CAPITAL OUTLAY - Equipment	<u>28,000</u>	<u>20,878</u>	<u>7,122</u>
TOTAL	<u>235,725</u>	<u>208,395</u>	<u>27,330</u>

The Notes to Financial Statements are an integral part of these statements.

**VILLAGE OF CLIMAX
COMBINING BALANCE SHEET
ALL SPECIAL REVENUE FUNDS
MARCH 31, 2004**

	Major Streets	Local Streets	Totals
<u>ASSETS</u>			
Cash	142,887	32,874	175,761
Due from State - Act 51	<u>4,663</u>	<u>1,502</u>	<u>6,165</u>
TOTAL ASSETS	<u>147,550</u>	<u>34,376</u>	<u>181,926</u>
<u>LIABILITIES & FUND BALANCES</u>			
Liabilities			
Accounts Payable	202		202
Due to Other Funds	0	0	0
Fund Balances - Undesignated	<u>147,348</u>	<u>34,376</u>	<u>181,724</u>
TOTAL LIABILITIES & FUND BALANCES	<u>147,550</u>	<u>34,376</u>	<u>181,926</u>

The Notes to Financial Statements are an integral part of these statements.

**VILLAGE OF CLIMAX
COMBINING STATEMENT OF REVENUES, EXPENDITURES &
CHANGES IN FUND BALANCES
ALL SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED MARCH 31, 2004**

	Major Streets	Local Streets	Totals
REVENUES			
Intergovernmental - State	44,768	14,383	59,151
Interest	1,713	327	2,040
Miscellaneous	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues	46,481	14,710	61,191
EXPENDITURES			
Public Works	<u>18,780</u>	<u>29,761</u>	<u>48,541</u>
Total Expenditures	<u>18,780</u>	<u>29,761</u>	<u>48,541</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	27,701	(15,051)	12,650
OTHER FINANCING SOURCES (USES)			
Transfers From (To) Other Funds	<u>(10,275)</u>	<u>10,275</u>	<u>0</u>
EXCESS OF REVENUES & OTHER SOURCES (USES) OVER (UNDER) EXPENDITURES & OTHER USES	17,426	(4,776)	12,650
FUND BALANCE - Beginning of Year	<u>129,922</u>	<u>39,152</u>	<u>169,074</u>
FUND BALANCE - End of Year	<u>147,348</u>	<u>34,376</u>	<u>181,724</u>

The Notes to Financial Statements are an integral part of these statements.

**VILLAGE OF CLIMAX
BALANCE SHEET
MAJOR STREET FUND
MARCH 31, 2004**

ASSETS

Cash	142,887	
Due from State - Act 51	<u>4,663</u>	
TOTAL ASSETS		<u><u>147,550</u></u>

LIABILITIES & FUND BALANCES

Liabilities		
Accounts Payable	202	
Due To General Fund	0	
Fund Balance - Undesignated	<u>147,348</u>	
TOTAL LIABILITIES & FUND BALANCE		<u><u>147,550</u></u>

The Notes to Financial Statements are an integral part of these statements.

**VILLAGE OF CLIMAX
STATEMENT OF REVENUES, EXPENDITURES &
CHANGES IN FUND BALANCE - BUDGET & ACTUAL
MAJOR STREET FUND
FOR THE FISCAL YEAR ENDED MARCH 31, 2004**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Act 51 Proceeds	39,000	44,768	5,768
Interest	<u>2,300</u>	<u>1,713</u>	<u>(587)</u>
Total Revenues	41,300	46,481	5,181
EXPENDITURES			
Routine Maintenance	24,525	12,930	11,595
Traffic Service	500	324	176
Ice and Snow Removal	3,100	2,668	432
Parks	2,900	2,858	42
Administration & Engineering	0	0	0
Construction	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>31,025</u>	<u>18,780</u>	<u>12,245</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(10,275)	27,701	17,426
OTHER FINANCING SOURCES (USES)			
Transfers From (To) Other Funds	<u>(10,275)</u>	<u>(10,275)</u>	<u>0</u>
Total Other Financing Sources (Uses)	(10,275)	(10,275)	0
EXCESS OF REVENUES & OTHER SOURCES (USES) OVER (UNDER) EXPENDITURES & OTHER USES	0	17,426	17,426
FUND BALANCE - Beginning of Year	<u>129,922</u>	<u>129,922</u>	<u>0</u>
FUND BALANCE - End of Year	<u>129,922</u>	<u>147,348</u>	<u>17,426</u>

The Notes to Financial Statements are an integral part of these statements.

**VILLAGE OF CLIMAX
BALANCE SHEET
LOCAL STREETS
MARCH 31, 2004**

ASSETS

Cash	32,874	
Due from State - Act 51	<u>1,502</u>	
TOTAL ASSETS		<u><u>34,376</u></u>

LIABILITIES & FUND BALANCE

Liabilities		
Due to General Fund	0	
Fund Balance - Undesignated	<u>34,376</u>	
TOTAL LIABILITIES & FUND BALANCE		<u><u>34,376</u></u>

The Notes to Financial Statements are an integral part of these statements.

**VILLAGE OF CLIMAX
STATEMENTS OF REVENUES, EXPENDITURES &
CHANGES IN FUND BALANCE - BUDGET & ACTUAL
LOCAL STREETS
FOR THE FISCAL YEAR ENDED MARCH 31, 2004**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Act 51 Proceeds	15,000	14,383	(617)
Interest	600	327	(273)
Miscellaneous	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues	15,600	14,710	(890)
EXPENDITURES			
Routine Maintenance	28,545	27,300	1,245
Traffic Service	500	223	277
Ice and Snow Removal	500	2,238	(1,738)
Construction	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>29,545</u>	<u>29,761</u>	<u>(216)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(13,945)	(15,051)	(1,106)
OTHER FINANCING SOURCES (USES)			
Transfers From (To) Other Funds	<u>10,275</u>	<u>10,275</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>10,275</u>	<u>10,275</u>	<u>0</u>
EXCESS OF REVENUES & OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	(3,670)	(4,776)	(1,106)
FUND BALANCE - Beginning of Year	<u>39,152</u>	<u>39,152</u>	<u>0</u>
FUND BALANCE - End of Year	<u><u>35,482</u></u>	<u><u>34,376</u></u>	<u><u>(1,106)</u></u>

The Notes to Financial Statements are an integral part of these statements.

**VILLAGE OF CLIMAX
BALANCE SHEET
CEMETERY PERPETUAL CARE FUND
MARCH 31, 2004**

ASSETS

Cash	<u>11,491</u>	
TOTAL ASSETS		<u>11,491</u>

LIABILITIES & FUND BALANCE

Liabilities		
Due to Other Funds	84	
Fund Balance - Undesignated	<u>11,407</u>	
TOTAL LIABILITIES & FUND BALANCE		<u>11,491</u>

ANALYSIS OF CHANGE IN FUND BALANCE

FUND BALANCE - Beginning of Year	11,407
ADDITIONS	
Interest Earned	496
DEDUCTIONS	
Transfer to General Fund	<u>(496)</u>
FUND BALANCE - End of Year	<u>11,407</u>

The Notes to Financial Statements are an integral part of these statements.

**VILLAGE OF CLIMAX
STATEMENT OF REVENUES, EXPENDITURES &
CHANGES IN FUND BALANCE - BUDGET & ACTUAL
CEMETERY PERPETUAL CARE FUND
FOR THE FISCAL YEAR ENDED MARCH 31, 2004**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Interest Income	<u>500</u>	<u>496</u>	<u>(4)</u>
Total Revenues	<u>500</u>	<u>496</u>	<u>(4)</u>
EXPENDITURES			
None	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	500	496	(4)
OTHER FINANCING SOURCES (USES)			
Transfers From (To) Other Funds			
General Fund	<u>(500)</u>	<u>(496)</u>	<u>4</u>
EXCESS OF REVENUES & OTHER SOURCES (USES) OVER (UNDER) EXPENDITURES & OTHER USES	0	0	0
FUND BALANCE - Beginning of Year	<u>11,407</u>	<u>11,407</u>	<u>0</u>
FUND BALANCE - End of Year	<u><u>11,407</u></u>	<u><u>11,407</u></u>	<u><u>0</u></u>

The Notes to Financial Statements are an integral part of these statements.

**VILLAGE OF CLIMAX
BALANCE SHEET
WATER SUPPLY SYSTEM FUND
MARCH 31, 2004**

ASSETS

CURRENT ASSETS

Cash	123,881	
Accounts Receivable- Water Customers	6,274	
- Special Assessments	47,283	
- Delinquent Special Assessments	991	
- Delinquent Hydrant Rentals	<u>1,994</u>	
Total Current Assets		180,423

FIXED ASSETS

Land	35,066	
Buildings	42,769	
Distribution System	1,074,459	
Less: Accumulated Depreciation	<u>(554,159)</u>	
Net Fixed Assets		<u>598,135</u>

TOTAL ASSETS		<u><u>778,558</u></u>
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LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES

Accounts Payable	1,196	
Current Portion of Long Term Debt	<u>25,000</u>	
Total Current Liabilities		26,196

LONG TERM LIABILITIES

Bonds Payable	270,000	
Less: Current Portion (Above)	<u>(25,000)</u>	
Total Long Term Liabilities		<u>245,000</u>

Total Liabilities		271,196
-------------------	--	---------

FUND EQUITY

Contributed Capital		
Capital Grants	368,736	
Less: Amortization	<u>177,337</u>	191,399
Retained Earnings		<u>315,963</u>
Total Fund Equity		<u><u>507,362</u></u>

TOTAL LIABILITIES AND FUND EQUITY		<u><u>778,558</u></u>
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The Notes to Financial Statements are an integral part of these statements.

**VILLAGE OF CLIMAX
STATEMENT OF REVENUES, EXPENSES &
CHANGES IN RETAINED EARNINGS
WATER SUPPLY SYSTEM FUND
FOR THE FISCAL YEAR ENDED MARCH 31, 2004**

REVENUES		
Charges for Service	28,599	
Interest	4,865	
Hydrant Assessments	24,167	
Connections	2,728	
Other	<u>1,454</u>	
Total Operating Revenues		61,813
OPERATING EXPENSES		
Salaries & Wages	17,550	
Professional Fees	4,497	
Supplies - Office & Other	573	
- Operating	2,242	
Repairs	20,928	
Utilities & Fuel	5,484	
Depreciation	27,033	
Interest	14,000	
Other	<u>250</u>	
Total Operating Expenses		<u>92,557</u>
Operating Income (Loss)		(30,744)
OTHER FINANCING SOURCES (USES)		
Depreciation of Fixed Assets Acquired by Capital Contribution		<u>8,651</u>
Net Income (Loss)		(22,093)
RETAINED EARNINGS - Beginning of Year		<u>338,056</u>
RETAINED EARNINGS - End of Year		<u>315,963</u>

The Notes to Financial Statements are an integral part of these statements.

**VILLAGE OF CLIMAX
STATEMENT OF CASH FLOWS
WATER SUPPLY SYSTEM FUND
FOR THE FISCAL YEAR ENDED MARCH 31, 2004**

CASH PROVIDED BY:		
Net Income (Loss)	(22,093)	
Add: Expenses Not Requiring Cash - Depreciation		
Net of Contributed Capital	<u>18,382</u>	
Cash Provided by Operations		(3,711)
Decrease in Receivables		6,403
Increase in Payables		<u>650</u>
Total Cash Provided		3,342
CASH USED FOR FINANCING ACTIVITIES:		
Principal Payments on Bonds	<u>(20,000)</u>	
INCREASE (DECREASE) IN CASH		(16,658)
CASH - Beginning of Year		<u>140,539</u>
CASH - End of Year		<u><u>123,881</u></u>

The Notes to Financial Statements are an integral part of these statements.

**VILLAGE OF CLIMAX
GENERAL FIXED ASSETS GROUP OF ACCOUNTS
MARCH 31, 2004**

	Balance 4-1-03	Additions	Deletions	Balance 3-31-04
BUILDINGS				
Village Hall	45,000			45,000
Library Building	45,000			45,000
Pole Building	<u>9,000</u>	<u> </u>	<u> </u>	<u>9,000</u>
Total Buildings	99,000	0	0	99,000
EQUIPMENT				
Vehicles	84,586	15,128		99,714
Other	<u>77,828</u>	<u>5,750</u>	<u>0</u>	<u>83,578</u>
Total Equipment	<u>162,414</u>	<u>20,878</u>	<u>0</u>	<u>183,292</u>
INVESTMENT IN GENERAL FIXED ASSETS	<u>261,414</u>	<u>20,878</u>	<u>0</u>	<u>282,292</u>

The Notes to Financial Statements are an integral part of these statements.

Foote and Lloyd
 CERTIFIED PUBLIC ACCOUNTANTS
 TWO WEST MICHIGAN, SUITE 210
 BATTLE CREEK, MI 49017
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CHARLES W. FOOTE
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MEMBERS:
 AMERICAN INSTITUTE OF
 CERTIFIED PUBLIC ACCOUNTANTS

 MICHIGAN ASSOCIATION
 CERTIFIED PUBLIC ACCOUNTANTS

 *FLORIDA INSTITUTE OF
 CERTIFIED PUBLIC ACCOUNTANTS

To the Village President and
 Members of the Council
 Village of Climax
 Kalamazoo County, Michigan

This letter is being written in conjunction with the audit for the year ended March 31, 2004, of the financial records of the Village of Climax. The clerk and treasurer of the Village are fulfilling their fiscal responsibilities and the records of the Village were in very good order again this year.

It appears that you have instituted our recommendations of past years.

ADDITIONAL INFORMATION: In compliance with GE Capital's guidelines, we submit the following information which is not covered elsewhere in our audit report or this letter:

- A) There is adequate physical control over the assets of the Village.
- B) The Village has complied in all material respects of the loan agreement with GE Capital.
- C) The financial statements presented in our audit report agree with the financial records of the Village as adjusted by our journal entries.
- D) The Village bills quarterly for water service.
- E) Following is a listing of the summary of insurance coverage of the Village:

<u>Company & Policy #</u>	<u>Coverage</u>	<u>Amount</u>	<u>Expiration</u>
Michigan Township Participating Plan Policy #MTP092406			4-1-05
	Valuable Papers & Records	100,000	
	Property	1,599,775	
	Property	210,317	
	Auto	3,000,000	
	General Liability	3,000,000/Each Occurrence	
		5,000,000/Aggregate	
	Wrongful Acts	3,000,000/Each Occurrence	
		4,000,000/Aggregate	
	Boiler	500,000	
	Crime	10,000	
	Bond	100,000	
	Worker's Compensation	100,000-500,000	4-1-05

Village of Climax
September 29, 2004
Page Two

- F) Page three of this letter contains a comparative statement of revenues and expenditures of the Water Fund for the years ended March 31, 2004 and 2003. The amounts in the 2004 column are taken from our audit report. The amounts in the 2003 column were derived from the financial statements prepared by the Village. The Village is only required to have a biennial audit and, therefore, the amounts for the year ended March 31, 2003, are not audited numbers.

We wish to thank you again this year for the opportunity of serving you and for the very fine assistance and cooperation we received from everyone contacted during the course of the audit. Do not hesitate to contact us if you should have questions or need assistance in the future.

Footte and Lloyd

CERTIFIED PUBLIC ACCOUNTANTS

Page 3 Attachment
Battle Creek, Michigan
September 29, 2004

**VILLAGE OF CLIMAX
STATEMENT OF REVENUES, EXPENSES &
CHANGES IN RETAINED EARNINGS
WATER SUPPLY SYSTEM FUND
FOR THE FISCAL YEARS ENDED MARCH 31**

	2004	2003
REVENUES		
Charges for Services	28,599	32,335
Interest & Assessments	29,032	47,773
Other	<u>4,182</u>	<u>3,404</u>
Total Operating Revenues	61,813	83,512
OPERATING EXPENSES		
Salaries & Wages	17,550	16,070
Professional Fees	4,497	3,822
Supplies - Office & Other	573	199
- Operating	2,242	1,922
Repairs	20,928	14,859
Utilities & Fuel	5,484	5,671
Depreciation	27,033	27,033
Interest	14,000	15,000
Other	<u>250</u>	<u>4,750</u>
Total Operating Expenses	92,557	89,326
Operating Income	(30,744)	(5,814)
OTHER FINANCING SOURCES (USES)		
Depreciation of Fixed Assets Acquired by Capital Contributions	<u>8,651</u>	<u>8,651</u>
Net Income (Loss)	(22,093)	2,837
RETAINED EARNINGS, April 1	<u>338,056</u>	<u>335,219</u>
RETAINED EARNINGS, March 31	<u>315,963</u>	<u>338,056</u>